



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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David A. Vaudt, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE February 11, 2011

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on O'Brien County, Iowa.

The County had local tax revenue of \$19,557,769 for the year ended June 30, 2010, which included \$922,382 in tax credits from the state. The County forwarded \$14,214,944 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,342,825 of the local tax revenue to finance County operations, a 9.2 percent increase over the prior year. Other revenues included charges for service of \$1,773,138, operating grants, contributions and restricted interest of \$3,865,279, capital grants, contributions and restricted interest of \$488,979, tax increment financing of \$92,439, local option sales tax of \$418,232, unrestricted investment earnings of \$89,585 and other general revenues of \$91,268.

Expenses for County operations totaled \$10,924,041, an 8.7 percent decrease from the prior year. Expenses included \$3,906,648 for roads and transportation, \$2,622,464 for public safety and legal services and \$1,538,454 for mental health.

A copy of the audit report is available for review in the County Auditor's office, in the Office of Auditor of State and on the Auditor of State's web site at:  
<http://auditor.iowa.gov/reports/1010-0071-B00F.pdf>.

# # #



**O'BRIEN COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
  
**JUNE 30, 2010**

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**O'Brien County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Thomas Farnsworth	Board of Supervisors	Jan 2011
Jacob Moermond	Board of Supervisors	Jan 2011
Richard Haack	Board of Supervisors	Jan 2013
John Haack	Board of Supervisors	Jan 2013
Emily Waund	Board of Supervisors	Jan 2013
Barbara Rohwer	County Auditor	Jan 2013
Sylvia Nikles	County Treasurer	Jan 2011
Kurt Brown	County Recorder	Jan 2011
Michael J. Anderson	County Sheriff	Jan 2013
Bruce A. Green	County Attorney	Jan 2011
Lowell L. Dykstra	County Assessor	Jan 2016

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**Independent Auditor's Report**

To the Officials of O'Brien County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of O'Brien County, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of O'Brien County's management. Our responsibility is to express opinions on these financial statements based on our audit.

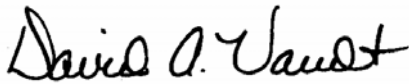
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of O'Brien County at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

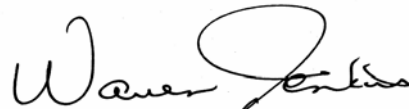
In accordance with Government Auditing Standards, we have also issued our report dated January 25, 2011 on our consideration of O'Brien County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 44 through 48 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise O'Brien County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. We also previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (which are not presented herein) and expressed qualified opinions on those financial statements due to the effects of the omission of general fixed assets. Other supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 25, 2011



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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O'Brien County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2010, along with comparative data for the year ended June 30, 2009. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2010 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased approximately 13%, or approximately \$1,803,000, from fiscal year 2009 to fiscal year 2010. Property and other county tax increased approximately \$506,000 while capital grants, contributions and restricted interest decreased approximately \$1,791,000 and charges for service decreased approximately \$310,000. Additionally, there were decreases in local option sales tax and operating grants, contributions and restricted interest of approximately \$132,000 and \$36,000, respectively.
- Program expenses were approximately \$1,047,000, or 9%, less in fiscal year 2010 than in fiscal year 2009.
- The County's net assets increased approximately 7%, or approximately \$1,238,000, from June 30, 2009 to June 30, 2010.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

*Management's Discussion and Analysis* introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The *Government-wide Financial Statements* consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of O'Brien County as a whole and present an overall view of the County's finances.

The *Fund Financial Statements* tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report O'Brien County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which O'Brien County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

*Notes to Financial Statements* provide additional information essential to a full understanding of the data provided in the basic financial statements.

*Required Supplementary Information* further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

*Other Supplementary Information* provides detailed information about the nonmajor governmental and Internal Service Funds and the individual Agency Funds.

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

### *Fund Financial Statements*

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Proprietary funds account for the County's Internal Service, Employee Health Insurance and Workers' Compensation Self Insurance Funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for E911 surcharges, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

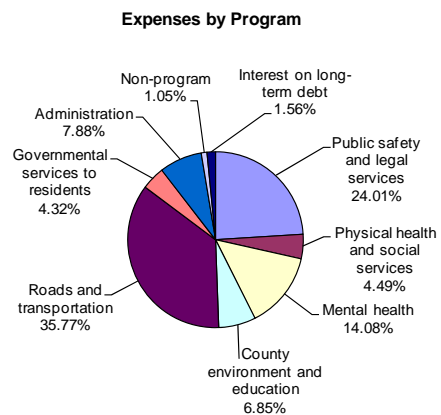
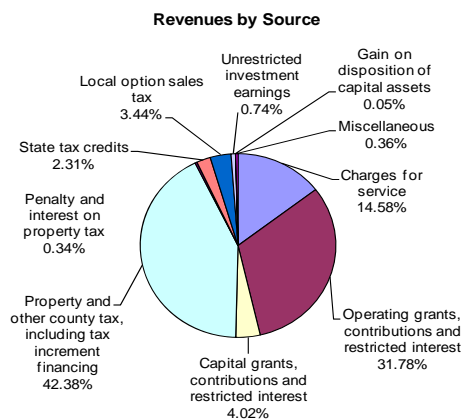
## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. O'Brien County's combined net assets increased from a year ago, from approximately \$17.7 million to approximately \$19.0 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2010	2009
Current and other assets	\$ 13,358	11,961
Capital assets	16,137	16,177
Total assets	29,495	28,138
Long-term liabilities	4,416	4,537
Other liabilities	6,124	5,884
Total liabilities	10,540	10,421
Net assets:		
Invested in capital assets, net of related debt	12,139	11,973
Restricted	3,843	2,881
Unrestricted	2,973	2,863
Total net assets	\$ 18,955	17,717

Net assets of O'Brien County's governmental activities increased approximately \$1,238,000, or 7%. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased approximately \$110,000, or 4%, to approximately \$2,973,000 at June 30, 2010.

Changes in Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2010	2009
Revenues:		
Program revenues:		
Charges for service	\$ 1,773	2,083
Operating grants, contributions and restricted interest	3,865	3,901
Capital grants, contributions and restricted interest	489	2,280
General revenues:		
Property and other county tax, including tax increment financing	5,155	4,649
Penalty and interest on property tax	41	33
State tax credits	281	294
Local option sales tax	418	550
Unrestricted investment earnings	90	126
Gain on disposition of capital assets	6	47
Miscellaneous	44	2
Total revenues	12,162	13,965
Program expenses:		
Public safety and legal services	2,623	2,802
Physical health and social services	490	511
Mental health	1,538	1,867
County environment and education	748	776
Roads and transportation	3,907	4,194
Governmental services to residents	472	466
Administration	861	885
Non-program	115	293
Interest on long-term debt	170	177
Total expenses	10,924	11,971
Change in net assets	1,238	1,994
Net assets beginning of year	17,717	15,723
Net assets end of year	\$ 18,955	17,717



O'Brien County's net assets of governmental activities increased approximately \$1,238,000 from the prior year. Revenues for governmental activities decreased approximately \$1,803,000 from the prior year, while property and other county tax revenue increased approximately \$506,000, or 11%, over the prior year.

The cost of all governmental activities this year was approximately \$10.9 million compared to approximately \$12.0 million last year. However, as shown in the Statement of Activities on page 17, the amount property taxpayers ultimately financed for these activities was approximately \$4.8 million because some of the cost was paid by those who directly benefited from the programs, approximately \$1.8 million, or by other governments and organizations which subsidized certain programs with grants and contributions, approximately \$4.4 million. Overall, the County's governmental activities program revenues, including intergovernmental aid and fees for services, decreased in fiscal year 2010 from approximately \$8,264,000 to approximately \$6,127,000, principally due to reduced grant contributions from Iowa Department of Transportation for road construction and maintenance. The County paid for the remaining "public benefit" portion of governmental activities (\$6,034,000) with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As O'Brien County completed the year, its governmental funds reported a combined fund balance of approximately \$6.3 million, an increase of approximately \$971,000 over last year's total of approximately \$5.4 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$51,000, principally due to an increase in property and other county tax. The County increased the general supplemental levy tax rate from \$2.05229 per \$1,000 of taxable valuation in fiscal year 2009 to \$2.47200 per \$1,000 of taxable valuation in fiscal year 2010. Expenditures decreased approximately \$295,000 from the prior year to approximately \$4,319,000, a decrease of 6% from the prior year. The ending fund balance increased approximately \$342,000 from the prior year to approximately \$2,402,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,538,000, a decrease of 18% from the prior year. Revenues totaled approximately \$1,726,000, a decrease of 14% from the prior year. The Mental Health Fund balance increased approximately \$187,000 over the prior year.
- Rural Services Fund revenues decreased approximately \$57,000, principally due to decrease in local option sales tax of approximately \$132,000 offset by an increase in property and other county tax of approximately \$80,000. The County increased the rural services levy tax rate from \$3.14536 per \$1,000 of taxable valuation in fiscal year 2009 to \$3.17278 per \$1,000 of taxable valuation in fiscal year 2010. Expenditures and transfers out increased approximately \$125,000 over the prior year to approximately \$1,910,000, an increase of 7% over the prior year. The ending fund balance decreased approximately \$208,000 from the prior year to approximately \$461,000.
- Secondary Roads Fund revenues increased approximately \$399,000, primarily due to an increase in road use tax. Expenditures decreased approximately \$132,000 from the prior year to approximately \$3,515,000, a decrease of 4% from the prior year. The ending fund balance increased approximately \$632,000 over the prior year to approximately \$2,789,000.
- Debt Service Fund revenues, expenditures and fund balance remained similar to the prior year.

## BUDGETARY HIGHLIGHTS

Over the course of the year, O'Brien County amended its budget three times. The first amendment was made in March 2010 and resulted in increases or decreases in budgeted disbursements for all functions except debt service, netting to an overall decrease of \$134,804. The largest decreases were \$139,794 and \$97,088 for the mental health and physical health and social services functions, respectively. The mental health function decreased due to additional FMAP credits from the state and a reclassification of a work activity client. The physical health and social services function decreased as there was a reduction in public health department staff and lower costs for demolition of the county home building. The budget for the roads and transportation function increased \$99,624 to allow for spending of I-Jobs funds received from the state. The second amendment was made in May 2010 and included increases in budgeted disbursements for the public safety and legal services function for law books, the physical health and social services function for health supplies and the county environment and education function for matching a housing grant. The total amendment to disbursements was \$16,190. The third amendment was made in May 2010 for the physical health and social services function for \$14,000 for the homemaker program.

The County's receipts were \$311,582 more than budgeted, a variance of 3%. The most significant variances resulted from the County receiving less local option sales tax than budgeted and more intergovernmental receipts since road use tax receipts were higher than anticipated.

Total disbursements were \$1,132,419, or 9%, less than the amended budget. Actual disbursements for the roads and transportation, mental health and capital projects functions were \$326,844, \$271,514 and \$227,945, respectively, less than budgeted. This was primarily due to less gravel crushing than anticipated and the delay of a local paving project. The mental health function was less than budgeted due to additional FMAP credits from the state and a reclassification of a work activity client. Actual disbursements did not exceed the budget in any function during fiscal year 2010.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2010, O'Brien County had approximately \$16.1 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net decrease (including additions and deletions) of approximately \$41,000, or less than 1%, from the prior year.

Capital Assets of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2010	2009
Land	\$ 133	133
Buildings and improvements	3,802	3,896
Equipment and vehicles	2,441	2,563
Infrastructure	9,760	9,585
Total	\$ 16,136	16,177
This year's major additions included (in thousands):		
Secondary Roads infrastructure	\$	738
Secondary Roads flatbed pickup		14
Excavator for Secondary Roads		98
Service body unit for mechanic truck		49
Compactor for Secondary Roads		13
Mower for Conservation		6
Law enforcement security system		25
Three vehicles for Sheriff's Department		57
Total	\$	1,000

The County had depreciation expense of \$1,045,836 in fiscal year 2010 and total accumulated depreciation of approximately \$7,588,000 at June 30, 2010. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

### **Long-Term Debt**

At June 30, 2010, O'Brien County had \$3,997,040 of general obligation bonds/notes outstanding, compared to \$4,203,632 at June 30, 2009.

The County continues to carry a general obligation bond rating of Aaa assigned by national rating agencies to the County's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. O'Brien County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$39.0 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

O'Brien County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. According to information from Iowa Workforce Development, unemployment in the County stands at 5.3% versus 5.0% a year ago. This compares with the State's unemployment rate of 6.7% and the national rate of 9.5% for the period ended June 30, 2010.

These indicators were taken into account when adopting the budget for fiscal year 2011. Amounts available for appropriation in the operating budget were approximately \$16.6 million, an increase of 3% from the final fiscal year 2010 budget. Budgeted disbursements are expected to increase \$663,422. If these estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$1,464,000 by the close of fiscal year 2011.

O'Brien County considered the current year's revenues, along with the historical revenues versus expenditures, when setting the levy rates for fiscal year 2011. A major factor in estimating many of the revenues from the State of Iowa was the current financial condition of the State and the history of the Iowa Legislature cutting funding for counties.

The County fee structure is based on state law. Therefore, any increases in revenues in this area would need to be legislated. It is O'Brien County's position to charge the highest rate allowable by law to recoup the actual cost of the programs.

O'Brien County has a tendency to underestimate revenues, resulting in higher than anticipated ending fund balances. The County's philosophy is to budget for the recommended, but not currently legislated, 25% ending fund balances. This percentage is based on total expenditures in the respective fund for the year.

### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of O'Brien County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the O'Brien County Auditor's Office, O'Brien County Courthouse, 155 South Hayes, Primghar, Iowa 51045.

**O'Brien County**



## **Basic Financial Statements**

O'Brien County  
Statement of Net Assets  
June 30, 2010

	Governmental Activities
<b>Assets</b>	
Cash and pooled investments	\$ 6,549,010
Receivables:	
Property tax:	
Delinquent	2,082
Succeeding year	5,193,000
Succeeding year tax increment financing	282,000
Interest and penalty on property tax	4,801
Accounts	1,379
Accrued interest	8,912
Due from other governments	388,293
Inventories	857,720
Prepaid expenses	71,114
Capital assets (net of accumulated depreciation)	16,136,514
<b>Total assets</b>	<b>29,494,825</b>
<b>Liabilities</b>	
Accounts payable	309,399
Accrued interest payable	12,998
Salaries and benefits payable	35,380
Due to other governments	290,883
Deferred revenue:	
Succeeding year property tax	5,193,000
Succeeding year tax increment financing	282,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds/notes	220,000
Compensated absences	242,862
Portion due or payable after one year:	
General obligation bonds/notes	3,777,040
Net OPEB liability	176,305
<b>Total liabilities</b>	<b>10,539,867</b>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	12,139,474
Restricted for:	
Supplemental levy purposes	494,616
Mental health purposes	333,315
Secondary roads purposes	2,667,346
Debt service	35,716
Capital projects	9,562
Drainage purposes	61,398
Other purposes	240,865
Unrestricted	2,972,666
<b>Total net assets</b>	<b>\$ 18,954,958</b>

See notes to financial statements.

O'Brien County  
Statement of Activities  
Year ended June 30, 2010

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Expenses					
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 2,622,464	731,407	28,029	-	(1,863,028)
Physical health and social services	489,724	12,104	193,413	-	(284,207)
Mental health	1,538,454	109,144	1,051,328	-	(377,982)
County environment and education	748,403	186,344	17,705	-	(544,354)
Roads and transportation	3,906,648	337,076	2,573,440	488,979	(507,153)
Governmental services to residents	472,346	242,112	288	-	(229,946)
Administration	861,101	21,272	-	-	(839,829)
Non-program	114,661	133,679	-	-	19,018
Interest on long-term debt	170,240	-	1,076	-	(169,164)
Total	\$ 10,924,041	1,773,138	3,865,279	488,979	(4,796,645)
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					4,779,579
Debt service					282,585
Tax increment financing					92,439
Penalty and interest on property tax					40,734
State tax credits					280,661
Local option sales tax					418,232
Unrestricted investment earnings					89,585
Gain on disposition of capital assets					6,125
Miscellaneous					44,409
Total general revenues					6,034,349
Change in net assets					1,237,704
Net assets beginning of year					17,717,254
Net assets end of year					\$ 18,954,958

See notes to financial statements.

O'Brien County  
Balance Sheet  
Governmental Funds

June 30, 2010

		Special Revenue			
		General	Mental Health	Rural Services	Secondary Roads
<b>Assets</b>					
Cash and pooled investments	\$	2,375,602	665,366	366,222	1,740,146
Receivables:					
Property tax:					
Delinquent		1,599	276	59	-
Succeeding year		3,079,000	535,000	1,297,000	-
Succeeding year tax increment financing		-	-	-	-
Interest and penalty on property tax		4,801	-	-	-
Accounts		616	-	-	763
Accrued interest		7,403	-	-	-
Advances to other funds		-	-	-	68,482
Due from other governments		75,877	15,929	90,480	206,007
Inventories		-	-	-	857,720
Prepaid expenditures		39,855	-	7,006	24,253
<b>Total assets</b>		<b>\$ 5,584,753</b>	<b>1,216,571</b>	<b>1,760,767</b>	<b>2,897,371</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$	26,930	61,480	2,792	82,229
Salaries and benefits payable		14,516	-	77	20,787
Advances to other funds		-	-	-	-
Due to other governments		4,107	286,776	-	-
Deferred revenue:					
Succeeding year property tax		3,079,000	535,000	1,297,000	-
Succeeding year tax increment financing		-	-	-	-
Other		58,629	276	59	5,352
Total liabilities		3,183,182	883,532	1,299,928	108,368
Fund balances:					
Reserved for:					
Supplemental levy purposes		511,948	-	-	-
Advances to other funds		-	-	-	68,482
Debt service		-	-	-	-
Unreserved, reported in:					
General fund		1,889,623	-	-	-
Special revenue funds		-	333,039	460,839	2,720,521
Capital projects fund		-	-	-	-
Total fund balances		2,401,571	333,039	460,839	2,789,003
<b>Total liabilities and fund balances</b>		<b>\$ 5,584,753</b>	<b>1,216,571</b>	<b>1,760,767</b>	<b>2,897,371</b>

See notes to financial statements.

Debt Service	Nonmajor	Total
5,750	423,123	5,576,209
148	-	2,082
282,000	-	5,193,000
-	282,000	282,000
-	-	4,801
-	-	1,379
-	-	7,403
-	-	68,482
-	-	388,293
-	-	857,720
-	-	71,114
287,898	705,123	12,452,483
-	-	173,431
-	-	35,380
-	68,482	68,482
-	-	290,883
282,000	-	5,193,000
-	282,000	282,000
148	-	64,464
282,148	350,482	6,107,640
-	-	511,948
-	-	68,482
5,750	-	5,750
-	-	1,889,623
-	345,079	3,859,478
-	9,562	9,562
5,750	354,641	6,344,843
287,898	705,123	12,452,483

**O'Brien County**

O'Brien County

Reconciliation of the Balance Sheet -  
Governmental Funds to the Statement of Net Assets

June 30, 2010

**Total governmental fund balances (page 19)** \$ 6,344,843

***Amounts reported for governmental activities in the Statement of Net Assets  
are different because:***

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$23,724,139 and the accumulated depreciation is \$7,587,625. 16,136,514

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 64,464

The Internal Service Funds are used by management to charge the costs of partial self funding of the County's health insurance benefit plan and workers' compensation self insurance to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets. 838,342

Long-term liabilities, including bonds/notes payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (4,429,205)

**Net assets of governmental activities (page 16)** \$ 18,954,958

See notes to financial statements.

O'Brien County  
Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2010

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 3,091,872	534,134	1,152,639	-
Local option sales tax	-	-	418,232	-
Tax increment financing	-	-	-	-
Interest and penalty on property tax	40,933	-	-	-
Intergovernmental	948,092	1,191,660	131,185	2,766,394
Licenses and permits	7,925	-	-	-
Charges for service	408,029	-	-	69,902
Use of money and property	166,471	-	-	840
Miscellaneous	75,091	-	-	75,254
Total revenues	4,738,413	1,725,794	1,702,056	2,912,390
Expenditures:				
Operating:				
Public safety and legal services	1,917,451	-	626,731	-
Physical health and social services	498,693	-	-	-
Mental health	-	1,538,454	-	-
County environment and education	565,814	-	133,357	-
Roads and transportation	-	-	-	3,282,107
Governmental services to residents	471,377	-	1,575	-
Administration	860,505	-	-	-
Non-program	5,190	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	232,402
Total expenditures	4,319,030	1,538,454	761,663	3,514,509
Excess (deficiency) of revenues over (under) expenditures	419,383	187,340	940,393	(602,119)
Other financing sources (uses):				
Sale of capital and other assets	4,980	-	-	3,425
Operating transfers in	5,120	-	-	1,230,278
Operating transfers out	(87,143)	-	(1,148,720)	-
Total other financing sources (uses)	(77,043)	-	(1,148,720)	1,233,703
Net change in fund balances	342,340	187,340	(208,327)	631,584
Fund balances beginning of year	2,059,231	145,699	669,166	2,157,419
Fund balances end of year	\$ 2,401,571	333,039	460,839	2,789,003

See notes to financial statements.



Debt Service	Nonmajor	Total
282,437	-	5,061,082
-	-	418,232
-	92,439	92,439
-	-	40,933
14,822	34,272	5,086,425
-	-	7,925
-	2,896	480,827
366	3,233	170,910
-	17,491	167,836
297,625	150,331	11,526,609
-	34,100	2,578,282
-	-	498,693
-	-	1,538,454
-	13,276	712,447
-	-	3,282,107
-	5,353	478,305
-	-	860,505
-	-	5,190
297,534	79,925	377,459
-	296	232,698
297,534	132,950	10,564,140
91	17,381	962,469
-	-	8,405
-	51,394	1,286,792
-	(50,929)	(1,286,792)
-	465	8,405
91	17,846	970,874
5,659	336,795	5,373,969
5,750	354,641	6,344,843

## O'Brien County

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances -  
Governmental Funds to the Statement  
of Activities

Year ended June 30, 2010

**Net change in fund balances - Total governmental funds (page 23)** \$ 970,874***Amounts reported for governmental activities in the Statement of Activities are different because:***

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures and contributed capital assets in the current year, as follows:

Expenditures for capital assets	\$ 510,999	
Capital assets contributed by the Iowa Department of Transportation	488,979	
Depreciation expense	<u>(1,045,836)</u>	(45,858)

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 5,288

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds. (12,654)

Governmental funds report discounts when debt is first issued, whereas the discount is deferred and amortized in the Statement of Activities. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded discount amortization, as follows:

Amortization of bond discount	(8,408)	
Repayments	<u>215,000</u>	206,592

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(2,480)	
Other postemployment benefits	(83,769)	
Interest on long-term debt	<u>627</u>	(85,622)

The Internal Service Funds are used by management to charge the costs of partial self funding of the County's health insurance benefit plan and workers' compensation self insurance to individual funds. The change in net assets of the Internal Service Funds is reported with governmental activities. 199,084

**Change in net assets of governmental activities (page 17)** \$ 1,237,704

See notes to financial statements.

O'Brien County  
Statement of Net Assets  
Proprietary Funds

June 30, 2010

	<u>Internal Service</u>
<b>Assets</b>	
Cash	\$ 520,013
Investments	452,788
Accrued interest receivable	<u>1,509</u>
<b>Total assets</b>	974,310
<b>Liabilities</b>	
Accounts payable	<u>135,968</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$ 838,342</u></u>

See notes to financial statements.

O'Brien County  
Statement of Revenues, Expenses and  
Changes in Fund Net Assets  
Proprietary Funds

Year ended June 30, 2010

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds		\$ 910,536
Stop loss insurance reimbursements		68,377
Reimbursements from others		13,075
Total operating revenues		<u>991,988</u>
Operating expenses:		
Health claims and administrative services	\$ 803,096	
Workers' compensation insurance	<u>1,247</u>	<u>804,343</u>
Operating income		187,645
Non-operating revenues:		
Interest income		<u>11,439</u>
Net income		199,084
Net assets beginning of year		<u>639,258</u>
Net assets end of year		<u><u>\$ 838,342</u></u>

See notes to financial statements.

O'Brien County  
Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2010

	<u>Internal Service</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 910,536
Cash received from stop loss insurance reimbursements	68,377
Cash received from others	13,075
Cash paid for health claims and for administrative services	(817,728)
Cash paid for workers' compensation insurance	(1,247)
Net cash provided by operating activities	<u>173,013</u>
Cash flows from investing activities:	
Purchase of investments	(202,788)
Interest on investments	11,669
Net cash used by investing activities	<u>(191,119)</u>
Net decrease in cash and cash equivalents	(18,106)
Cash and cash equivalents beginning of year	<u>538,119</u>
Cash and cash equivalents end of year	<u><u>\$ 520,013</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 187,645
Adjustment to reconcile operating income to net cash provided by operating activities:	
Decrease in payables	<u>(14,632)</u>
Net cash provided by operating activities	<u><u>\$ 173,013</u></u>

See notes to financial statements.

O'Brien County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2010

**Assets**

## Cash and pooled investments:

County Treasurer	\$ 1,176,425
Other County officials	21,660

## Receivables:

## Property tax:

Delinquent	9,031
Succeeding year	13,596,000

Accounts	16,677
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Accrued interest	100
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Special assessments	59,244
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Due from other governments	9,873
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<b>Total assets</b>	<u>14,889,010</u>
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**Liabilities**

Accounts payable	53
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Due to other governments	14,855,178
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Trusts payable	8,863
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Compensated absences	24,916
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<b>Total liabilities</b>	<u>14,889,010</u>
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<b>Net assets</b>	<u><u>\$ -</u></u>
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See notes to financial statements.

O'Brien County

Notes to Financial Statements

June 30, 2010

**(1) Summary of Significant Accounting Policies**

O'Brien County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, O'Brien County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present O'Brien County (the primary government) and eleven drainage districts. These component units are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the O'Brien County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the O'Brien County Auditor's Office.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: O'Brien County Assessor's Conference

Board, O'Brien County Emergency Management Services Commission and Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations: Northwest Iowa Multi-county Regional Juvenile Detention Center, Northwest Iowa Area Solid Waste Agency, Synergy Center and Iowa Great Lakes Drug Task Force. In addition, the County is involved in the following jointly governed organizations: Northwest Iowa Planning and Development Commission, Northwest Iowa Alcohol and Drug Treatment Center, Regional Transit Authority, Domestic Violence, Private Industries Council, Seasons Mental Health Center, Third Judicial District Department of Correctional Services, Upper Des Moines Opportunity, Inc., Iowa County Engineers Association Service Bureau, Regional Transit Authority/RIDES, Inc. and O'Brien County Economic Development Corporation.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories.

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund



financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor governmental and proprietary funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general long-term debt.

Additionally, the County reports the following funds:

Proprietary Funds - Internal Service Funds are utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary funds of the County apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Funds is charges to customers for sales and services. Operating expenses for the Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2009.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which have been made but have not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Advances to/from Other Funds – Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account for governmental funds which indicates they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment, vehicles and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets

are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 65,000
Intangibles	50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Buildings	40 - 50
Building improvements	20 - 50
Infrastructure	30 - 50
Intangibles	5 - 20
Equipment	2 - 20
Vehicles	3 - 10

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivables that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary

fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets – The unrestricted net assets of the Internal Service, Employee Health Insurance and Workers' Compensation Self Insurance Funds are designated for future catastrophic losses of the County.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements did not exceed the amounts budgeted by function.

### **(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,590,218 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

**(3) Interfund Assets/Liabilities**

The detail of advances to/from other funds is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue: Secondary Roads	Special Revenue: County Urban Renewal	<u>\$68,482</u>

The advance to/from other funds resulted from the payment of urban renewal project costs from the Secondary Roads Fund which will be repaid with tax increment financing collections.

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Title XIX Set Aside - 10%	\$ 5,120
Special Revenue: Secondary Roads	General	81,558
	Special Revenue: Rural Services	1,148,720
Special Revenue: Conservation Land Acquisition	General	5,585
Special Revenue: County Urban Renewal	Capital Projects	<u>45,809</u>
Total		<u>\$ 1,286,792</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 133,500	-	-	133,500
Construction in progress, road network	-	737,461	(600,577)	136,884
Construction in progress	822,333	296	(822,629)	-
Total capital assets not being depreciated	955,833	737,757	(1,423,206)	270,384
Capital assets being depreciated:				
Buildings	4,031,135	822,629	(25,000)	4,828,764
Improvements other than buildings	30,697	-	-	30,697
Equipment and vehicles	6,442,995	277,818	(54,989)	6,665,824
Infrastructure, road network	11,327,893	600,577	-	11,928,470
Total capital assets being depreciated	21,832,720	1,701,024	(79,989)	23,453,755
Less accumulated depreciation for:				
Buildings	979,362	93,394	(25,000)	1,047,756
Improvements other than buildings	9,209	614	-	9,823
Equipment and vehicles	3,880,447	389,340	(44,680)	4,225,107
Infrastructure, road network	1,742,451	562,488	-	2,304,939
Total accumulated depreciation	6,611,469	1,045,836	(69,680)	7,587,625
Total capital assets being depreciated, net	15,221,251	655,188	(10,309)	15,866,130
Governmental activities capital assets, net	\$ 16,177,084	1,392,945	(1,433,515)	16,136,514

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 146,353
Physical health and social services	261
County environment and education	46,583
Roads and transportation	842,580
Administration	10,059
Total depreciation expense - governmental activities	<u>\$ 1,045,836</u>

**(6) Due to Other Governments**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$ 4,107
Special Revenue:		
Mental Health	Services	286,776
Total for governmental funds		<u>\$ 290,883</u>
Agency:		
County Assessor	Collections	\$ 670,236
Schools		7,610,225
Community Colleges		380,625
Corporations		5,210,060
Townships		147,333
City Special Assessments		59,244
Auto License, Use Tax and Driver's License		333,090
E911 Surcharges		146,159
All other		298,206
Total for agency funds		<u>\$ 14,855,178</u>

**(7) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	General Obligation Bonds/Notes	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 4,203,632	240,382	92,536	4,536,550
Increases	8,408	295,637	83,769	387,814
Decreases	215,000	293,157	-	508,157
Balance end of year	<u>\$ 3,997,040</u>	<u>242,862</u>	<u>176,305</u>	<u>4,416,207</u>
Due within one year	<u>\$ 220,000</u>	<u>242,862</u>	<u>-</u>	<u>462,862</u>

\* Net of \$67,960 of unamortized discount at June 30, 2010.



### General Obligation Bonds/Notes

A summary of the County's June 30, 2010 general obligation bonds/notes indebtedness is as follows:

Year Ending June 30,	Refunding Notes Series 2005		
	Issued Jul 1, 2005		
	Interest Rates	Principal	Interest
2011	3.500-3.625%	\$ 220,000	74,521
2012	3.625	235,000	66,524
2013	3.400-3.625	245,000	57,915
2014	3.400-3.500	255,000	49,365
2015	3.500-3.600	260,000	40,415
2016-2018	3.600-4.000	850,000	60,330
Total		<u>\$ 2,065,000</u>	<u>349,070</u>

Year Ending June 30,	Bond Series 2008			Total		
	Issued Sep 1, 2008			Principal	Interest	Total
	Interest Rates	Principal	Interest			
2011		-	79,525	220,000	154,046	374,046
2012	3.850%	110,000	79,525	345,000	146,049	491,049
2013	3.900	325,000	75,290	570,000	133,205	703,205
2014	3.950	340,000	62,615	595,000	111,980	706,980
2015	4.000	350,000	49,185	610,000	89,600	699,600
2016-2017	4.000 - 4.050	875,000	50,170	1,725,000	110,500	1,835,500
Total		<u>\$ 2,000,000</u>	<u>396,310</u>	<u>4,065,000</u>	<u>745,380</u>	<u>4,810,380</u>

During the year ended June 30, 2010, the County retired \$215,000 of general obligation bonds/notes.

### **(8) Pension and Retirement Benefits**

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the County is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$280,448, \$277,907 and \$244,004, respectively, equal to the required contributions for each year.

**(9) Other Postemployment Benefits (OPEB)**

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 85 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The health coverage, which is a partially self-funded medical plan, is administered by First Administrators, Inc.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 102,181
Interest on net OPEB obligation	3,701
Adjustment to annual required contribution	<u>(3,536)</u>
Annual OPEB cost	102,346
Contributions made	<u>(18,577)</u>
Increase in net OPEB obligation	83,769
Net OPEB obligation beginning of year	<u>92,536</u>
Net OPEB obligation end of year	<u>\$ 176,305</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the County contributed \$18,577 to the medical plan and there were no plan member contributions.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 102,346	18.2%	\$ 176,305

Funded Status and Funding Progress. As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$878,220, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$878,220. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,816,000 and the ratio of the UAAL to covered payroll was 23.0%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual health trend rate is 9.5%. The ultimate health trend rate is 4.5%. The health trend rate is reduced 0.5% each year until reaching the 4.5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$1,045 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **(10) Risk Management**

The County is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **(11) Employee Health Insurance Plan**

The Internal Service, Employee Health Insurance Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with First Administrators, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$50,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Health Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to First Administrators, Inc. from the Employee Health Insurance Fund. The County's contribution to the fund for the year ended June 30, 2010 was \$910,536.

Amounts payable from the Employee Health Insurance Fund at June 30, 2010 total \$135,968, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. That reserve was \$819,145 at June 30, 2010 and is reported as a designation of the Internal Service, Employee Health Insurance Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 150,600
Incurred claims (including claims incurred but not reported at June 30, 2010)	803,096
Payment on claims during the fiscal year	<u>817,728</u>
Unpaid claims end of year	<u><u>\$ 135,968</u></u>

**(12) Contingent Liability**

The County has provided a local government guarantee for a portion of the closure and postclosure care costs of the Northwest Iowa Area Solid Waste Agency required by Chapter 567-113.14 of the Iowa Administrative Code. The County's financial assurance obligation is \$237,000.

### **Required Supplementary Information**

O'Brien County

Budgetary Comparison Schedule of  
Receipts, Disbursements and Changes in Balances -  
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2010

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 5,544,282	-	5,544,282
Interest and penalty on property tax	40,933	-	40,933
Intergovernmental	5,331,060	-	5,331,060
Licenses and permits	77,387	-	77,387
Charges for service	411,145	-	411,145
Use of money and property	170,571	-	170,571
Miscellaneous	174,379	611	173,768
Total receipts	11,749,757	611	11,749,146
Disbursements:			
Public safety and legal services	2,609,970	-	2,609,970
Physical health and social services	513,078	-	513,078
Mental health	1,706,942	-	1,706,942
County environment and education	716,353	345	716,008
Roads and transportation	3,488,080	-	3,488,080
Governmental services to residents	479,594	-	479,594
Administration	886,222	-	886,222
Non-program	5,190	-	5,190
Debt service	377,459	-	377,459
Capital projects	234,400	-	234,400
Total disbursements	11,017,288	345	11,016,943
Excess (deficiency) of receipts over (under) disbursements	732,469	266	732,203
Other financing sources, net	9,538	-	9,538
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	742,007	266	741,741
Balance beginning of year	4,834,202	61,132	4,773,070
Balance end of year	\$ 5,576,209	61,398	5,514,811

See accompanying independent auditor's report.

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Budgeted Amounts		Final to
Original	Final	Net
		Variance
5,647,666	5,628,898	(84,616)
12,550	12,550	28,383
4,916,317	5,057,175	273,885
77,250	71,400	5,987
349,315	361,095	50,050
172,132	160,092	10,479
76,125	146,354	27,414
11,251,355	11,437,564	311,582
2,779,231	2,767,609	157,639
589,525	520,437	7,359
2,118,250	1,978,456	271,514
772,896	808,103	92,095
3,715,300	3,814,924	326,844
511,087	502,988	23,394
929,127	903,682	17,460
8,500	13,258	8,068
377,560	377,560	101
452,500	462,345	227,945
12,253,976	12,149,362	1,132,419
(1,002,621)	(711,798)	1,444,001
-	6,113	3,425
(1,002,621)	(705,685)	1,447,426
3,087,193	4,658,487	114,583
2,084,572	3,952,802	1,562,009

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O'Brien County  
Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
Required Supplementary Information  
Year ended June 30, 2010

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 11,749,757	(223,148)	11,526,609
Expenditures	11,017,288	(453,148)	10,564,140
Net	732,469	230,000	962,469
Other financing sources, net	9,538	(1,133)	8,405
Beginning fund balances	4,834,202	539,767	5,373,969
Ending fund balances	\$ 5,576,209	768,634	6,344,843

See accompanying independent auditor's report.



O'Brien County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, the Internal Service Funds and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments decreased budgeted disbursements by \$104,614. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2010, disbursements did not exceed the amounts budgeted by function.

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O'Brien County

Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	Jul 1, 2008	\$ -	878	878	0.00%	\$ 3,779	23.2%
2010	Jul 1, 2008	-	878	878	0.00%	3,816	23.0%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

### **Other Supplementary Information**

O'Brien County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2010

	Resource Enhancement and Protection	County Recorder's Records Management	Federal Drug Reimburse- ment	Ambulance Replacement
<b>Assets</b>				
Cash and pooled investments	\$ 39,190	29,451	4,501	95,893
Receivables:				
Succeeding year tax increment financing	-	-	-	-
<b>Total assets</b>	<b>\$ 39,190</b>	<b>29,451</b>	<b>4,501</b>	<b>95,893</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Advances from other funds	\$ -	-	-	-
Deferred revenue:				
Succeeding year tax increment financing	-	-	-	-
Total liabilities	-	-	-	-
Fund balances:				
Unreserved, reported in:				
Special revenue funds	39,190	29,451	4,501	95,893
Capital projects fund	-	-	-	-
Total fund balances	39,190	29,451	4,501	95,893
<b>Total liabilities and fund equity</b>	<b>\$ 39,190</b>	<b>29,451</b>	<b>4,501</b>	<b>95,893</b>

See accompanying independent auditor's report.

Special Revenue						
Housing Rehab	County Urban Renewal	Special Environment	Drainage Districts	Conservation Land Acquisition	Capital Projects	Total
58,315	111,298	7,143	61,398	6,372	9,562	423,123
-	282,000	-	-	-	-	282,000
58,315	393,298	7,143	61,398	6,372	9,562	705,123
-	68,482	-	-	-	-	68,482
-	282,000	-	-	-	-	282,000
-	350,482	-	-	-	-	350,482
58,315	42,816	7,143	61,398	6,372	-	345,079
-	-	-	-	-	9,562	9,562
58,315	42,816	7,143	61,398	6,372	9,562	354,641
58,315	393,298	7,143	61,398	6,372	9,562	705,123

O'Brien County

Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2010

	Resource Enhancement and Protection	County Recorder's Records Management	Federal Drug Reimburse- ment	Ambulance Replacement
Revenues:				
Tax increment financing	\$ -	-	-	-
Intergovernmental	16,475	-	-	17,500
Charges for service	-	2,896	-	-
Use of money and property	393	288	-	1,005
Miscellaneous	-	-	-	-
Total revenues	16,868	3,184	-	18,505
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	34,100
County environment and education	7,750	-	-	-
Governmental services to residents	-	5,353	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	7,750	5,353	-	34,100
Excess (deficiency) of revenues over (under) expenditures	9,118	(2,169)	-	(15,595)
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	9,118	(2,169)	-	(15,595)
Fund balances beginning of year	30,072	31,620	4,501	111,488
Fund balances end of year	\$ 39,190	29,451	4,501	95,893

See accompanying independent auditor's report.

Special Revenue							
Housing Rehab	Title XIX Set Aside - 10%	County Urban Renewal	Special Environment	Drainage Districts	Conservation Land Acquisition	Capital Projects	Total
-	-	92,439	-	-	-	-	92,439
-	-	-	-	-	297	-	34,272
-	-	-	-	-	-	-	2,896
136	-	710	18	611	9	63	3,233
17,491	-	-	-	-	-	-	17,491
17,627	-	93,149	18	611	306	63	150,331
-	-	-	-	-	-	-	34,100
5,526	-	-	-	-	-	-	13,276
-	-	-	-	-	-	-	5,353
-	-	79,925	-	-	-	-	79,925
-	-	-	-	-	-	296	296
5,526	-	79,925	-	-	-	296	132,950
12,101	-	13,224	18	611	306	(233)	17,381
-	-	45,809	-	-	5,585	-	51,394
-	(5,120)	-	-	-	-	(45,809)	(50,929)
-	(5,120)	45,809	-	-	5,585	(45,809)	465
12,101	(5,120)	59,033	18	611	5,891	(46,042)	17,846
46,214	5,120	(16,217)	7,125	60,787	481	55,604	336,795
58,315	-	42,816	7,143	61,398	6,372	9,562	354,641

**Schedule 3**

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## O'Brien County

Combining Schedule of Net Assets  
Internal Service Funds

June 30, 2010

	Employee Health Insurance	Workers' Compensation Self Insurance	Total
<b>Assets</b>			
Cash	\$ 500,816	19,197	520,013
Investments	452,788	-	452,788
Accrued interest receivable	1,509	-	1,509
<b>Total assets</b>	955,113	19,197	974,310
<b>Liabilities</b>			
Accounts payable	135,968	-	135,968
<b>Net Assets</b>			
Unrestricted	\$ 819,145	19,197	838,342

See accompanying independent auditor's report.



## O'Brien County

Combining Schedule of Changes in Revenues, Expenses and  
Changes in Fund Net Assets Internal Service Funds

Year ended June 30, 2010

	Employee Health Insurance	Workers' Compensation Self Insurance	Total
Operating revenues:			
Reimbursements from operating funds	\$ 910,536	-	910,536
Stop loss insurance reimbursements	68,377	-	68,377
Reimbursements from others	13,075	-	13,075
Total operating revenues	991,988	-	991,988
Operating expenses:			
Health claims and administrative services	803,096	-	803,096
Workers' compensation insurance	-	1,247	1,247
Total operating expenses	803,096	1,247	804,343
Operating income (loss)	188,892	(1,247)	187,645
Non-operating revenues:			
Interest income	11,439	-	11,439
Net income	200,331	(1,247)	199,084
Net assets beginning of year	618,814	20,444	639,258
Net assets end of year	\$ 819,145	19,197	838,342

See accompanying independent auditor's report.

**O'Brien County**

O'Brien County  
Combining Schedule of Cash Flows  
Internal Service Funds

Year ended June 30, 2010

	Employee Health Insurance	Workers' Compensation Self Insurance	Total
Cash flows from operating activities:			
Cash received from operating fund reimbursements	\$ 910,536	-	910,536
Cash received from stop loss insurance reimbursements	68,377	-	68,377
Cash received from others	13,075	-	13,075
Cash paid for health claims and administrative services	(817,728)	-	(817,728)
Cash paid for workers' compensation insurance	-	(1,247)	(1,247)
Net cash provided (used) by operating activities	174,260	(1,247)	173,013
Cash flows from investing activities:			
Purchase of investments	(202,788)	-	(202,788)
Interest on investments	11,669	-	11,669
Net cash used by investing activities	(191,119)	-	(191,119)
Net decrease in cash and cash equivalents	(16,859)	(1,247)	(18,106)
Cash and cash equivalents beginning of year	517,675	20,444	538,119
Cash and cash equivalents end of year	\$ 500,816	19,197	520,013
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 188,892	(1,247)	187,645
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:			
(Decrease) in payables	(14,632)	-	(14,632)
Net cash provided (used) by operating activities	\$ 174,260	(1,247)	173,013

See accompanying independent auditor's report.

O'Brien County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	2,487	428,260	105,761	5,448
Other County officials	21,660	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	80	154	3,464	177
Succeeding year	-	165,000	257,000	7,501,000	375,000
Accounts	643	-	-	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 22,303</b>	<b>167,567</b>	<b>685,414</b>	<b>7,610,225</b>	<b>380,625</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	-	-	-
Due to other governments	18,366	167,567	670,236	7,610,225	380,625
Trusts payable	3,937	-	-	-	-
Compensated absences	-	-	15,178	-	-
<b>Total liabilities</b>	<b>\$ 22,303</b>	<b>167,567</b>	<b>685,414</b>	<b>7,610,225</b>	<b>380,625</b>

See accompanying independent auditor's report.

Corporations	Townships	City Special Assesments	Auto License, Use Tax and Driver's License	E911 Surcharges	Other	Total
53,910	2,328	-	333,090	121,138	124,003	1,176,425
-	-	-	-	-	-	21,660
5,150	5	-	-	-	1	9,031
5,151,000	145,000	-	-	-	2,000	13,596,000
-	-	-	-	16,034	-	16,677
-	-	-	-	100	-	100
-	-	59,244	-	-	-	59,244
-	-	-	-	8,887	986	9,873
5,210,060	147,333	59,244	333,090	146,159	126,990	14,889,010
-	-	-	-	-	53	53
5,210,060	147,333	59,244	333,090	146,159	112,273	14,855,178
-	-	-	-	-	4,926	8,863
-	-	-	-	-	9,738	24,916
5,210,060	147,333	59,244	333,090	146,159	126,990	14,889,010

O'Brien County  
Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 21,279	157,435	691,120	6,790,044	343,659
Additions:					
Property and other county tax	-	165,286	258,484	7,531,381	377,015
E911 surcharge	-	-	-	-	-
State tax credits	-	8,874	17,057	380,956	19,433
Office fees and collections	885,490	-	-	-	-
Auto licenses, driver's licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	23,401	-	-	-	-
Miscellaneous	-	-	2,235	-	-
Total additions	908,891	174,160	277,776	7,912,337	396,448
Deductions:					
Agency remittances:					
To other funds	729,285	-	-	-	-
To other governments	155,695	164,028	283,482	7,092,156	359,482
Trusts paid out	22,887	-	-	-	-
Total deductions	907,867	164,028	283,482	7,092,156	359,482
Balances end of year	\$ 22,303	167,567	685,414	7,610,225	380,625

See accompanying independent auditor's report.

Corpora- tions	Townships	City Special Assess- ments	Auto License, Use Tax and Driver's License	E911 Surcharges	Other	Total
4,734,033	144,393	129,654	323,433	187,468	99,878	13,622,396
5,094,392	145,111	-	-	-	1,554	13,573,223
-	-	-	-	118,724	-	118,724
207,980	7,332	-	-	-	89	641,721
-	-	-	-	-	-	885,490
-	-	-	3,793,704	-	-	3,793,704
-	-	15,683	-	-	-	15,683
-	-	-	-	-	83,293	106,694
-	-	-	-	13,371	162,543	178,149
5,302,372	152,443	15,683	3,793,704	132,095	247,479	19,313,388
-	-	-	137,865	-	-	867,150
4,826,345	149,503	86,093	3,646,182	173,404	116,506	17,052,876
-	-	-	-	-	103,861	126,748
4,826,345	149,503	86,093	3,784,047	173,404	220,367	18,046,774
5,210,060	147,333	59,244	333,090	146,159	126,990	14,889,010

O'Brien County

Schedule of Revenues by Source and Expenditures by Function -  
All Governmental Funds

For the last ten years

	Modified Accrual Basis			
	2010	2009	2008	2007
Revenues:				
Property and other county tax	\$ 5,061,082	4,596,836	4,580,718	4,394,292
Local option sales tax	418,232	550,006	567,367	500,479
Tax increment financing	92,439	52,139	-	-
Interest and penalty on property tax	40,933	31,568	29,515	25,929
Intergovernmental	5,086,425	5,316,142	5,427,698	5,010,777
Licenses and permits	7,925	4,050	3,200	2,025
Charges for service	480,827	511,611	509,384	455,847
Use of money and property	170,910	196,765	324,450	292,660
Fines, forfeitures and defaults	-	-	-	-
Miscellaneous	167,836	116,706	178,439	182,915
Total	\$ 11,526,609	11,375,823	11,620,771	10,864,924
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,578,282	2,720,567	2,623,440	2,506,085
Physical health and social services	498,693	510,089	458,495	413,728
Mental health	1,538,454	1,866,966	1,954,462	1,790,088
County environment and education	712,447	776,160	956,874	553,618
Roads and transportation	3,282,107	3,347,948	3,294,303	3,187,986
Governmental services to residents	478,305	465,164	430,043	408,498
Administration	860,505	869,095	855,461	834,441
Non-program	5,190	4,942	4,902	7,945
Debt service	377,459	374,721	574,403	363,602
Capital projects	232,698	324,506	1,839,258	478,061
Total	\$ 10,564,140	11,260,158	12,991,641	10,544,052

See accompanying independent auditor's report.



2006	2005	2004	2003	2002	2001
4,244,506	4,206,237	4,332,901	3,839,758	3,796,567	3,686,406
409,283	398,515	347,754	412,997	334,358	366,157
-	-	-	-	-	-
27,537	27,329	28,979	27,467	27,495	24,313
4,903,597	4,613,268	4,474,319	3,456,156	4,044,170	3,536,435
2,945	2,900	2,490	2,130	2,653	1,998
450,537	438,879	429,707	826,538	317,334	291,309
247,089	175,374	122,939	159,671	216,667	391,111
-	-	-	-	19,220	7,500
195,699	117,822	92,822	104,351	79,408	70,897
10,481,193	9,980,324	9,831,911	8,829,068	8,837,872	8,376,126
2,429,677	2,088,365	1,988,860	1,811,584	1,735,215	1,554,780
426,163	419,935	401,973	460,947	442,874	430,469
1,610,403	1,481,050	1,432,499	1,513,629	1,511,855	1,378,308
608,032	460,886	457,522	479,319	737,798	533,057
3,117,446	2,971,035	2,869,960	2,297,184	2,606,244	2,649,320
501,337	402,674	385,449	340,608	320,057	294,771
896,972	818,498	816,791	810,551	706,773	716,634
4,856	5,114	5,728	5,010	8,063	4,426
343,075	304,149	301,999	304,684	307,104	303,922
1,791,724	1,131,844	518,023	403,049	861,249	656,641
11,729,685	10,083,550	9,178,804	8,426,565	9,237,232	8,522,328

**O'Brien County**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

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Des Moines, Iowa 50319-0004

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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Officials of O'Brien County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of O'Brien County, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated January 25, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered O'Brien County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of O'Brien County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of O'Brien County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying Schedule of Findings as item (A) to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (B) through (D) to be significant deficiencies.

### Compliance and Other Matters

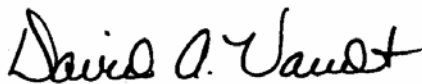
As part of obtaining reasonable assurance about whether O'Brien County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

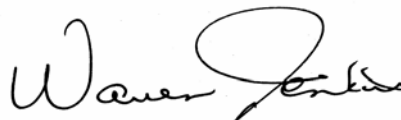
O'Brien County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit O'Brien County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of O'Brien County and other parties to whom O'Brien County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of O'Brien County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 25, 2011

O'Brien County

Schedule of Findings

Year ended June 30, 2010

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- (A) Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records. A listing of cash and checks received is not prepared.	Treasurer, Recorder, Sheriff, Public Health and Sanitation
(2) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash.	Treasurer, Recorder, Sheriff, Public Health and Sanitation
(3) Bank reconciliations are not performed by a person who does not record cash receipts or prepare checks. In addition, bank reconciliations are not reviewed periodically by an independent person for propriety.	Recorder, Sheriff and Treasurer
(4) The person who signs checks is not independent of the person preparing checks, approving disbursements and recording cash receipts.	Recorder

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons, to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

O'Brien County

Schedule of Findings

Year ended June 30, 2010

Responses:

Treasurer – With only two people in the tax department, it is impossible to segregate duties. We cross check deposits, balancing, etc. as much as possible to lessen the risk. Deposits to the bank are made daily for each department – tax, motor vehicle and drivers licenses. The Treasurer normally makes all deposits.

Recorder – We will try to comply as best we can with our existing employees.

Sheriff – We will attempt to comply with our limited administrative staff.

Public Health and Sanitation – We will try to comply with this requirement even though we have a limited number of staff in our department.

Conclusions – Responses accepted.

- (B) Credit Card Usage - The County made a number of purchases using credit cards during the year. However, credit card bill payments were not always supported by the credit card statements, although detailed itemized vendor receipts were attached. In addition, the County does not have a written policy regarding use of these credit cards.

Recommendation – Claims for credit card bill payments should include the credit card statements. The Board should adopt a written policy governing the use of County owned credit cards. The policy should specify the individuals who are authorized to use the cards and should include the types of expenses allowed to be charged and the documentation required to be submitted to support the expense incurred and to allow authorization for payment. Board policy should prohibit the use of County-owned credit cards for personal expenses.

Response – Credit card statements will be attached to the County claims. The Board of Supervisors adopted a policy at its October 12, 2010 meeting.

Conclusion – Response accepted.

- (C) Computer Access – The County employee handbook states, “Employees should not leave active communication sessions unattended”. During our audit, we observed computers were not set to time out or automatically log off when left unattended for a period of time. Also, employees access several computers using generic passwords which are used by a number of employees to record transactions.

Recommendation – The County should follow the employee handbook and computer terminals should be set to time out or automatically log off or use screen saver passwords when left unattended. Individual employees should have their own passwords to access the computer and provide identification of the employee who records each transaction.

Response – We will attempt to implement changes to our software to become compliant.

Conclusion – Response accepted.

O'Brien County

Schedule of Findings

Year ended June 30, 2010

- (D) County Recorder - Cashbook balances are reconciled with the bank balances at the end of each month. However, a listing of month end liabilities is not prepared. The listing of liabilities at June 30, 2010 was \$5,786 less than the reconciled cashbook and bank balances. Nonstandard document recording fees have been recorded in the cashbook and deposited at the bank when collected, but have not been remitted to the County Treasurer since inception in a prior year.

Recommendation - Cashbook balances should be reconciled to bank account balances monthly and a listing of month end liabilities should be prepared. The nonstandard document recording fees should be remitted to the County Treasurer and any remaining differences should be resolved on a monthly basis.

Response - We will comply with the recommendation.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

O'Brien County  
Schedule of Findings  
Year ended June 30, 2010

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2010 did not exceed the amounts budgeted by function.
- (2) Questionable Expenditures – Certain expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These expenditures are detailed as follows:

<u>Paid for</u>	<u>Purpose</u>	<u>Amount</u>
Patty Cakes	Cake for Local Board of Health Department retirement party	\$ 90
Janet's Bloomers	Flowers for Local Board of Health Department retirement party	43
Pizza Ranch	Pizza for Local Board of Health Department regular meetings	248

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation - The Board of Supervisors should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including the requirement for proper documentation.

Response – This will be monitored and we will no longer allow these types of expenses.

Conclusion – Response accepted.

- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.



O'Brien County

Schedule of Findings

Year ended June 30, 2010

- (4) Business Transactions – The following business transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
Jim Norton, Conservation Board Member, owner of Hartley Farm and Home Center, Inc.	Supplies and parts	\$ 928
Matthew Rohwer, son of County Auditor	Mail courier	102
Sarah Rohwer, daughter of County Auditor	Election help	15

In accordance with Chapter 331.342(10) of the Code of Iowa, the above transactions do not appear to represent conflicts of interest since the cumulative total amount for each individual did not exceed \$1,500 during fiscal year 2010.

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2010 for the County Extension Office did not exceed the amount budgeted.

O'Brien County

Schedule of Findings

Year ended June 30, 2010

Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check.

The County Extension Office did not obtain an image of the back of each cancelled check as required.

Recommendation – The County Extension Office should obtain and retain check images as required.

Response – The bank will provide O'Brien County Extension Office with front and back image of canceled checks each month beginning in October 2010.

Conclusion - Response accepted.

- (10) County Ordinances – The County Board of Supervisors has not completed a compilation of County ordinances.

Recommendation – The compilation of County ordinances should be prepared and published as required by Section 331.302(9) of the Code of Iowa.

Response – The Board of Supervisors held a public hearing and adopted the County ordinances at the November 2, 2010 meeting.

Conclusion – Response accepted.

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O'Brien County

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager  
Darryl J. Brumm, CPA, Senior Auditor II  
Dorothy O. Stover, Staff Auditor  
Kelly L. Hilton, Staff Auditor  
Rosemary E. Nielsen, Staff Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, stylized "A" and "N".

Andrew E. Nielsen, CPA  
Deputy Auditor of State